

**Nebraska Information Technology Commission Community Technology
Fund 2001**

Application Form

SECTION I: General Information

- A. Project Title: Aurora Technology Business Incubator
Name of Submitting Entity: City of Aurora

Contact Information

Name: Mark Kremer

Address: 1408 5th Street

City, State, Zip: Aurora, NE 68818

Phone: 402-694-6992

Fax: 402-694-4043

E-Mail: mkremer@hamilton.net

B. Certification for Request

I certify that to the best of my knowledge the information in this application is correct and that the application has been authorized by this entity to meet the obligation set forth in this application.

Authorized Signature: _____

Typed Name: Kenneth Harter

Title: Mayor

Name of Entity: City of Aurora

Date: _____

Total State Funds Requested: \$25,000

SECTION II: Executive Summary

The Aurora Technology Business Incubator (ATBI) is a project of Hamilton County Information Technology, Inc. a non-profit organization which serves as a catalyst in the development of information technology capacity and uses in our community. The desire to encourage local IT business development, entrepreneurship, and expanded IT services led to the creation of the ATBI project.

ATBI will provide services, office space, consultation and education for local businesses who qualify and apply for our incubator program. ATBI will create an ideal environment for these IT professionals as well as the telecommunications infrastructure and support they need to be successful in their new or expanded business endeavors. The NITC portion of this project will ensure that ATBI has the proper IT equipment and access for all participants and the appropriate management team to initiate this program effectively. The equipment includes a fully equipped central office, building infrastructure and telecommunications capacity. This grant will also provide for contracted part-time management and development of ATBI until it can be self-funded.

SECTION III: Goals and Objectives

1. In 1993 a group of local citizens formed the Hamilton County Information Technology Task Force to promote the development and use of information technology within Hamilton County. This diverse group representing business, education, government and citizens, took on the mission of improving the quality of life, enhancing educational opportunities and spurring economic development through information technology. A strategic planning process was undertaken and a comprehensive IT plan was adopted. After just 5 years the goals of the initial plan were almost completely accomplished and a second strategic plan was adopted in 1999.

This second edition of our Information Technology Strategic Plan specifically called for the creation of a business incubator and a non-profit organization to operate it. Hamilton County Information Technology Inc. (HCITI) was thus formed to allow individuals, businesses, foundations and other granting agencies the ability to contribute to the development of a technology business incubator in Aurora.

In 2000, a committee of HCITI was formed to develop a business plan and a suitable location for a technology business incubator in our community. The business plan was completed and the name Aurora Technology Business Incubator was chosen. ATBI is governed by a committee of Hamilton County Information Technology Inc. This Governing Council has guided the development of ATBI laying the groundwork for its' organization, procedures, services and objectives. The stated objectives of ATBI are as follows:

Job creation and diversification of the regional economy utilizing the strong telecommunications infrastructure within our community.

Promotion of entrepreneurship and creation of new technology based businesses.

Increased growth rate and decreased failure rate of start-up businesses within the community.

Assist new businesses by providing low cost services and consultation.

Facilitate "spin-off" products and services from existing local businesses.

Create a critical mass of info-tech professionals within our community that would help to attract additional technology related businesses and entrepreneurs.

Provide ongoing educational opportunities and camaraderie among IT professionals in our community.

Educate and assist mainstreet businesses to utilize information technology to expand their business opportunities.

The mission of ATBI is to assist in the development of technology-based businesses. ATBI through its' Incubator office building will provide a professional environment for entrepreneurs which fosters innovation, sound management practices and prepares businesses for anticipated independence and growth. ATBI also provides low cost facilities, management assistance, support services and business equipment to incubator companies.

The ATBI Governing Council began looking for a suitable space to house the incubator. Late in 2000, a 10,900 square foot building became available as a potential new home for the incubator. After a monumental volunteer effort this building (formerly a nursing home) was donated to HCITI by the owners for use as a technology incubator.

The building is a structurally sound steel building. Its' open span construction means the inside walls can be configured in whatever manner desired. In its' present form it can accommodate more than 30 individual offices, a central conference room, work room and secretarial support center.

The ATBI Governing Council with the assistance of the City of Aurora, the Aurora Development Corporation, high school students and community volunteers is preparing to open this facility in 2001 as the Aurora Technology Business Incubator. The specific goal of the NITC project is to purchase the necessary telecommunications and IT hardware, software, networks, and infrastructure in the facility, creation of educational programs, and provide funding for management and marketing of this innovative program in its' first year of operation.

2. The ATBI project is a direct fulfillment of goal #3 as stated in the Hamilton County Information Technology Strategic Plan: "Recruit information technology based businesses; businesses which use a high level of information technology, and individuals with professional expertise in the area of information technology." The first action step stated for this goal was the creation of a business incubator with a focus in information technology. These clearly stated goals and action steps led to the creation of ATBI and are the driving force behind this community effort.
3. The project objectives are stated above as bullet points. This project specifically fulfills the goals and priorities of NITC and the Community Council as follows:

NITC-3 The project clearly is designed to stimulate and support information-based economic development. It also will encourage and enable long term infrastructure innovation and improvement by creating a demand and a paying customer base for these new innovations and technologies. Through our educational efforts and using the incubator to recruit specific local IT professionals and services all levels of the community will benefit, including health care, education and government.

CC-3 This project clearly allows for the expansion of a knowledgeable workforce and gives the state and our community the opportunity to recruit and retain IT professionals. This includes job creation for local high school graduates, return of former students and residents to new IT professions in a community they want to live in, and the recruitment of IT professionals who currently reside in metropolitan areas but would prefer the quality of life offered by a small city with few of the problems plaguing large cities.

CC-4 ATBI will provide ongoing educational opportunities for our local community and is prepared to offer assistance to other communities and organizations across Nebraska who may want to use

our model in creation of their own incubators or IT efforts. We have planned for this project to serve as a model for rural America. Aurora stands ready to share our materials, time and knowledge with any and all who desire to learn from this project.

SECTION IV: Scope and Objectives

1. Project Beneficiaries

The beneficiaries of this project will be:

- Struggling local businesses looking for assistance and new markets.
- Local entrepreneurs looking for assistance as they begin a business.
- Local IT businesses wishing to “spin-off” a new product or service.
- High School students looking for business opportunities.
- Citizens who will have access to new jobs, new services and new technology at a reasonable cost.
- “Lone Eagles” looking for an ideal environment to live and work.
- Nebraska - building IT capacity and synergy which will give further weight to our statewide job creation and business development efforts.
- Local retail and service businesses who will have new opportunities with the added population who will live and shop in our community.

Hamilton County, along with most rural counties have looked for ways to stop the “brain drain” and attract new businesses and individuals to their communities. The ATBI project gives Aurora another great tool to accomplish this purpose. Our goal is to communicate with all county school alumni giving them information about this project and encouraging them to consider coming home to develop their IT business or telecommuting to their current job from our community. We will also target those “lone eagles” that are eager to move out of large metro areas with traffic congestion, crime and high office rents.

2. Anticipated Outcomes

The following outcomes are anticipated as a result of the ATBI project in the next 3-5 years:

- Up to 10 new business will begin or locate in our community over the next 3-5 years as a direct result of ATBI
- 10-30 new jobs will be created in the next 3-5 years
- Creation of a local e-commerce server and services for the benefit of all local businesses.
- At least 3 families will relocate to Aurora from outside the area in the next 3-5 years.
- Improve the success rate of new start-up businesses to 75%.
- Development of at least one new business started and run by high school students.
- Spin off at least 2 new businesses from existing local businesses in the next 3 years.
- Build synergy among regional IT professionals.
- Host quarterly educational forums and seminars for the benefit of the community
- Population growth in our community

3. Measurement and Assessment methods

We have adopted very specific outcomes which can easily be measured by the Hamilton County Information Technology Inc. board of directors and by the community. We plan an

annual audit of our progress and a progress report will be issued to all participating entities in the project. We will also give a semi-annual report to the City Council of Aurora and to the Aurora Development Corporation, our primary partners in this project.

4. Constraints

The single biggest constraint on this project is funding for the start-up phase. During the first year ATBI needs to equip our facility and have the management and educational opportunities in place to successfully build for the future. Coupled with this need for funding for building improvements, IT equipment/infrastructure and management is the commitment of ATBI to pay as we go, without encumbering the facility and program with debt that might distract us from our objectives.

A second constraint is the need for a project manager that can devote significant time to ATBI and the client businesses we aim to serve. We anticipate the need to have a half-time manager on board to oversee and build the program. After the first two years the managers position can be funded from operating income of the incubator program. However, the need to have someone on site, and available from the beginning requires some outside initial investment in this project. The Aurora Development Corporation and the City of Aurora have designated funds and time from Mark Kremer, Economic Development Coordinator, to be used for this project. These funds however, are not sufficient to cover the time required for this project during the start-up phase and the funds are not guaranteed to be extended beyond May 31, 2001.

A third constraint is the need to educate the local community on ATBI. Our community needs to understand how IT provides some of the best opportunities for economic and community development. The community needs to understand how incubators work and how all local businesses can benefit from having an incubator in the community. The management team is addressing this constraint by regularly publishing information in the community newspaper, obtaining media coverage of our development, meeting with community groups, students, business leaders, etc., and by hosting an Community IT conference in March 2001. We have put together an excellent program including the participation of Representative Tom Osborne.

5. Significant Assumptions

There is a demand and need for this type of facility and program in our community. This assumption has been tested for the past months and stands as a true need. Our Governing Council is meeting regularly with potential client companies and individuals. A high level of interest has been expressed by the community and we have 3-5 entities which are already considering moving into our incubator facility when it is ready for occupancy.

Volunteers are available and willing to assist. The ATBI program depends heavily on the use of local professionals to volunteer their time to assist our incubator companies. This assumption has also been tested and we have commitments from more than 20 local professionals to volunteer their time to provide consultation with our incubator companies. We have also received the volunteer assistance of local high school students (FBLA and Honor Society) to help with the clean-up of our building. Other groups and businesses have also offered to contribute time, equipment and furniture, and money to the project.

A third assumption is that the economy will continue to provide a positive growth and entrepreneurial desire in the workforce. A significant downturn in the economy could dampen the prospects of new business start-ups. However, such a downturn, could in fact have the opposite effect, creating even more entrepreneurs. The environment for these new businesses in a no-growth or recession economy would not be as positive as it is at present.

The fourth assumption is that the Aurora Development Corporation, the City of Aurora and the business community will continue to support this project for the foreseeable future and stand ready to offer whatever assistance may be necessary as we go forward.

SECTION V: Project Justification

1. Cost/Benefit Analysis

Total cost of the initial phase of this project which includes rehab of one wing of our building, one year of management, office equipment and infrastructure, and educational programs will be approximately \$75,000. To complete the rehab of the entire building would cost an additional \$50,000 (this will be done on a pay as you go basis depending on need for the space, or finances to cover cost of window replacement and other rehab needed). It is estimated that each new business that develops will add between \$50,000 - \$200,000 to local economy each year. If three such businesses begin or re-locate in the community each year, the return on the initial \$75,000 investment will return between \$150,000 and \$600,000. In addition, if we add three incubator businesses to our program each year for the next 3 years the program will pay for itself through lease agreements, service fees and participation fees. Because our building (estimated value of \$125,000 +) was donated we can maintain reasonable leases and fund the management of the program after the initial start-up phase (2 years) is complete.

We also anticipate that after 3 years the incubator businesses located in our facility will move to other facilities in our community which will result in further economic development activity.

If this model proves to be a success, the opportunity to consult with other communities in developing similar incubator programs will also provide economic benefits far beyond the local economy.

2. Community Impact

There will be a number of positive impacts for the community from this project:

- Incubator businesses - will benefit from the programs and services developed by the project manager and the management team funded with this grant. They will also have access to the telecommunications services, computer equipment and internet services funded in this grant. This project will lower their start-up costs and provide the best in consultation services to them at critical points in the development of their businesses.
- Students - this project will allow the brightest students to embark on business opportunities while still in high school and they will enjoy IT job opportunities with Incubator businesses.
- Citizens - will enjoy the benefits of additional job opportunities, new services available in the community, improved quality of life and additional educational opportunities.

- Local Businesses - will enjoy the benefits of additional IT expertise in the community, new markets for their products and services, and educational opportunities to help them grow their own businesses.

We anticipate that this project will result in some additional benefits to the community such as a micro-loan program for new or expanding businesses, web design services, graphic arts services, small business assistance program access, access to software designers and computer programmers and additional low cost business services (secretarial/phone services, e-commerce server, fulfillment center, etc.).

3. Impact on current problems

The project will meet the immediate need to fully equip the ATBI facility with the computer, and telecommunications systems that will make it fully functional. Additionally, the management team will be able to address community needs and assist more entrepreneurs if it is adequately funded from the beginning. The need for these businesses to have high quality DSL connections for a reasonable cost will be addressed with our pipeline and low cost services and lease agreements. Building additional demand for bandwidth will continue to lower the cost of DSL service for businesses and citizens.

4. Other Solutions considered and rejected

- Do Nothing - our community is growing and economic development is occurring, which could lead some to conclude that nothing new is needed. However, Hamilton County Information Technology Inc. recognized that one of Aurora's greatest strengths is the telecommunications access, services, quality and pricing that exists here. It was determined that this community infrastructure (through the local telephone company - Hamilton Telecommunications) gives our community the opportunity to grow a whole new business sector that happens to be the fastest developing sector of our national economy - Information Technology. Doing nothing would mean missing the opportunity to target alumni, lone eagles and other professionals who might have an interest in our community. It would also mean that local entrepreneurs would be left to struggle through business start-ups without a concerted community effort to help them succeed. Doing nothing would also result in the prolonged absence of some of the IT services that members of our community are looking for, and which could result in them leaving the community in the future.
- Build a new building or purchase an existing building to use as an incubator. Although both of these options may be considered in the future if our success demands it, these were rejected as initial steps because of the cost involved. Upon learning of the Bethesda Nursing Home being available, we focused our attention on acquiring this property. We quickly determined that this facility was well designed and suited to an incubator project and that the owners might be look favorably on making the property available to our group at a very reasonable price.

5. Compliance with State and Federal Mandates

The ATBI facility will be fully ADA compliant and we will be implementing a Drug free Workplace policy. ATBI will be in compliance with all known city, county, state and federal mandates and ordinances governing such a facility.

SECTION VI Implementation

1. Hamilton County Information Technology Inc. has fully embraced this project and made it a priority for the next 3 years. The City of Aurora City Council has approved applying for this grant and has offered its' support in implementation of the project. ATBI has been embraced by the Aurora Development Corporation and the local business community by offering financial assistance, volunteers, and recruitment assistance. The ADC has prioritized this project as a major responsibility for Mark Kremer, Economic Development Coordinator for the past year.
2. Here are the various members of the management team for ATBI and their roles. These roles are clearly defined in the ATBI business plan (copy provided with this application).
 - Hamilton County Information Technology Inc. board of directors. This group is chaired by Gary Warren, VP of Hamilton Telecommunications. The board is made up of 15 directors representing City Government, K-12 school system, Central Community College, local business, Utilities officials, and University of Nebraska Extension Service personnel. This board is ultimately responsible for the operation of ATBI and provides accountability for the ATBI Governing Council.
 - ATBI Governing Council - consists of 7 members who have experience in economic development, human resources, telecommunications, business start-ups and IT. Members include:
 - Manager of a local Software Development Firm
 - Local manger of telemarketing firm
 - Administrator of local Hospital
 - Owner of local financial and human resources service company
 - Retired business executive with expertise in business acquisition, start-up, patents
 - Financial Services Expert, former banker
 - Economic Development Coordinator - City of Aurora/Aurora Development Corp.

The Governing Council (GC) is directly responsible for the operation of all incubator programs and facilities (reporting to the HCITI board of directors monthly). The GC also serves as the admissions and evaluation committee for ATBI. They meet with businesses or individuals that desire to participate in our incubator programs and assist in evaluating the progress the companies are making towards meeting their objectives as outlined in their business plans.

 - Project Manager - Mark Kremer

Mark has worked in economic development both as a volunteer and as a consultant for a number of years. He has also directed the Edgerton Explorit Center through the start-up phase (first 5 years). He has been coordinating the ATBI project since its' inception in 1999 and has guided the development of the Governing Council and the ATBI business plan.

Mark's role is to coordinate the development of ATBI and manage the programs to be offered. He along with David Rau serve as the first point of contact for businesses or individuals interested in participating in ATBI.

- Assistant Project Manager - David Rau

David took early retirement from Lee Enterprises and moved to Aurora several years ago. He has been actively involved with HCITI and ATBI since they began. He holds several patents on IT related products, has extensive business start-up experience and works on project across the country related to protecting intellectual property. David also spends considerable time consulting with businesses and has devoted his attention to creating a local e-commerce site and the services needed to facilitate it. David will assist Mark with management of ATBI and work with clients on their business plans and connecting them with appropriate volunteer consultants.

- Advisors (volunteer professionals)

ATBI has more than 20 professionals who have committed volunteer time to assist ATBI clients with various needs during their incubation. These professional services include legal, accounting, marketing, financial services, human resources, insurance, management, intellectual property/patents and computer services. These advisors have committed between 20-100 hours each year to assisting ATBI clients. The project manager and assistant manager help connect ATBI business with the appropriate advisor at the right time.

3. Milestones and timetable

2000 Developed business plan, marketing tools, public awareness, organized volunteers and built community support.

December 2000 - took possession of former Bethesda Nursing Home as future ATBI site

December 2000 - applied for local grant to rehab phase one of the building

Jan - Feb. 2001 - applying for NITC grant, additional local foundation grant, recruited volunteers for clean-up of building, prepared lease documents and began marketing the ATBI services and facility to interested parties.

March 2001 - receive donations and initial grants to rehab one wing of the building. Host IT conference for the community and an open house for ATBI facility.

April 1, 2001 - anticipated opening of the ATBI facility with first 3 clients in the building.

June 1 - 1/2 time consulting manager in place and funded for the coming year, IT infrastructure funded and installed. Business services fully available to ATBI businesses. First seminar/workshop for ATBI businesses held. Regular newsletter sent to interested parties and marketing to alumni and other IT professionals begins in earnest.

4. Training opportunities will be provided on a regular basis for the entire management team. The Governing Council will be encouraged to attend at least one related conference each year and the Project Director will attend at least 2 training conference each year on incubator management. The entire team will participate in Economic Development conferences and workshops provided in Nebraska, including the Nebraska Development Network, NEDA Conference, etc.
5. Ongoing support of the IT equipment funded through this grant will be provided by the local technicians who work for Hamilton Telecommunications, Software 4, Computer Spectrum and other volunteers who have offered their services to ATBI.

SECTION VII Technical Impact

The following is the major hardware, software and communications equipment to be purchased with this grant:

- 3 Pentium III 1Ghz, 60 GB Hard drive, CD computer systems, 17" monitors (one for ATBI secretary, one for common ATBI use, one for manager)
- 1 Deskjet Color printer
- 1 Laserjet printer
- 1 scanner
- Server and network connections and cable for phase 1 of ATBI building
- Telephone system that can support the entire building (up to 20 lines, with voice mail, teleconferencing and other business capabilities.
- Computer Software and accessories

These systems will allow the ATBI facility to operate in an efficient and effective manner, while providing services to client businesses located in our facility. The common office and secretary will be able to perform multiple functions for client businesses with this package of equipment. Businesses may utilize our office person to answer phones, type reports, copy and assemble materials, create brochures/marketing pieces, update websites, schedule meetings and appointments. Additional services may also be provided as needed. This equipment will allow our central office to have secure and direct linkage to client businesses for the carrying out of these functions.

The server will allow ATBI to do provide a network within our facility and also serve as an e-commerce host for our community or regional e-commerce sites. We fully anticipate having the security to provide internet payment services for client companies and local e-commerce sites as a service of ATBI.

ATBI will purchase appropriate office software and support software to allow for interaction with a variety of applications used by our client businesses. These packages will include Microsoft Office, Accounting packages, Graphic Design software, Web Site design and hosting software, etc.

SECTION VIII Risk Assessment

The ATBI Governing Council has assessed the financial risks, management risks, proprietary property risks, liability risks, and staffing risks for this project. In order to minimize these risks we have developed a strategy to address each one.

Financial Risk Strategy - Pay as we go funding. We will not seek to borrow money for which we have no certain way to repay the loans. Money will be raised through contributions and grants. Money borrowed for capital improvements will be adequately backed by lease agreements which will cover the funding costs.

Proprietary Property Risk Strategy - ATBI enters into a non-disclosure agreement with all client businesses and provides appropriate security for the property. Each business owner is responsible to protect his/her own intellectual and proprietary property.

Liability Risk Strategy - ATBI has liability insurance to cover our property. Client companies are also required to carry liability insurance.

Staffing Risk Strategy - without adequate management and office staffing ATBI will flounder. Our strategy is to seek funding for a part-time consulting manager who can direct the development of ATBI. Office staff will be provided as soon as client companies request services that allow a secretarial support person to be hired. These services are purchased by client businesses from ATBI on a per use basis.

SECTION IX Financial Analysis and Budget

Financial Narrative Notes:

Do not fill in the gray cells. Use the bulleted categories listed below the gray areas to categorize contractual services and capital expenditures. If you wish to further itemize any category, use a separate sheet. Several categories (see below) **require** further itemization.

Please include estimated number of hours or full-time equivalent (FTE) by position. Include separate totals for salary and fringe benefits. If it is necessary to itemize on a separate sheet, include only the subtotal in this table.

Please itemize other contractual expenses on separate sheet.

Please itemize capital expenditures by categories (hardware, software, network, and other) on a separate sheet.

Please itemize other operating expenses on a separate sheet.

Please indicate the source of any cash match.

Please indicate the source of any in-kind match and how it will be documented.

Please provide a breakdown of any other external funding sources. Sources of external funds may include grants from federal agencies or private foundations.

Financial Narrative Notes:

The project manager will work on a contractual basis an estimated 60 hours per month for 12 months. There will be no fringe benefits. \$10,000 funded from NITC grant, \$2,500 from fees collected from incubator services, \$12,500 from other local foundation grants or Aurora Development Corporation/City of Aurora budget.

Capital Expenditures are itemized in the technical impact section.

All cash matches are from fees collected from incubator services or client companies

All in-kind matches represent equipment or services donated by local businesses.

Other Funding Sources:

ATBI has applied for two \$25,000 grants for staffing and rehabilitation from two local private foundations.

ATBI has undertaken a fund raising effort in the local business community to raise an additional \$16,000.

All utilities, upkeep and maintenance will be paid for from lease agreements and fees collected from ATBI client businesses.

Section IX: Financial Analysis and Budget

	CTF Grant Funding	Cash Match (5)	In-Kind Match (6)	Other Funding Sources (7)	Total
Personnel (1)					
Contractual Services					
• Design					
• Programming and Testing					
Project management, evaluation, and quality assurance	12,500	2,500		10,000	
Other (2)					
Capital Expenses					
• Hardware Acquisition	5,000		5,000		
Software Acquisition	2,500				
Network costs	2,500		2,500		
Other		10,000	125,000	50,000	
Other Costs					
Telecommunications	2,500		5,000		
Supplies and materials			5,000	5,000	
Other operating (4)		30,250			
Travel			1,000	1,000	
Total	25,000	42,750	143,500	66,000	277,250